

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3262
ANSWERED ON:11.08.2000
VENTURE CAPITAL FUND
VILAS BABURAO MUTTEMWAR

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government have decided to treat venture capital fund (VCF) as passthrough vehicles thereby eliminating instance of double taxation;
- (b) if so, whether the Government have set up a Committee to harmonise rules issued by various agencies like SEBI, RBI, CBDT and DEA;
- (c) if so, the details thereof;
- (d) whether the said Committee have laid down any guidelines norms and regulations for the eligibility criterion for VCFs to avail of the tax concessions and for their registration;
- (e) if so, the details thereof; and
- (f) the steps taken by the Government to check the Activities of VCFs who are availing of tax concessions under section 10 (23FA) of the Income Tax Act 1961?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR)

(a) to (f) A Committee was set up by the Securities & Exchange Board of India (SEBI) to look into various issues regarding Venture Capital. The Government examined the recommendations of the Committee and decided that SEBI would be the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds. The Finance Act, 2000 inserted clause (23FB) in section 10 of the Income Tax Act to provide that the income of a VCF and a VCC set up to raise funds for investment in a Venture Capital Undertaking (VCU) shall be exempted from income-tax. Section 115-U was inserted to provide that any income received by a person out of investment made in a VCC or a VCF shall be chargeable to income-tax in the same manner as if it were the income received by such person had the investment been made directly in the VCU.